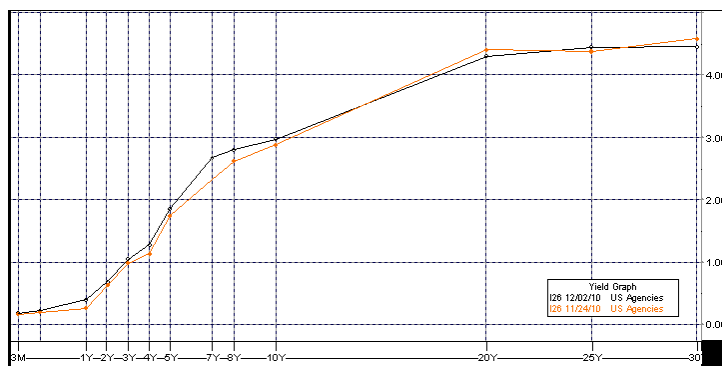


Retail Sales See Largest Gain in Seven Months

U.S. retailers saw sales increase 1.2 percent in October compared to an expected increase of 0.7 percent. Excluding autos and gasoline purchases, sales gained 0.4 percent for the month. Over the past year, sales have jumped 7.3 percent and are up 5.4 percent in 2010. After falling nearly 12 percent during the recession, retail sales have continued to recover and are currently only 1.8 percent below the peak reached in November 2007. The strong October is a positive sign for retailers during the holiday shopping season.

Yield Curves (Agency vs. Treasury)



Source: Bloomberg

Our Methodology

The Federal Open Market Committee (FOMC) kept the fed funds target rate at the 0 to 0.25 percent target at their December 2010 meeting. In addition the FOMC reiterated their plan to buy \$600 billion of Treasuries as part of the central bank's effort to reduce consumer lending rates and combat deflation. The FOMC noted that "the pace of recovery in output and employment continues to be slow" and "household spending is increasing gradually, but remains constrained by high unemployment, modest income growth, lower housing wealth, and tight credit." The prospects of additional fiscal stimulus (tax cuts) and recent positive economic reports have pushed up U.S. Treasury yields in the longer end of the yield curve. Debate between economists and politicians as to the effectiveness of current FOMC policy is likely to continue for the foreseeable future. The FOMC did once again express that economic conditions "are likely to warrant exceptionally low levels for the federal funds rate for an extended period." The market is not anticipating a rise in the fed funds target rate until late in 2011 or early in 2012. We expect the yield on money-market type investments to remain at very low levels. We will continue to concentrate on high quality, liquid investments while adhering to our long standing objectives of **safety, liquidity, and yield**.

Selected Current Economic Data

DATA	PERIOD	
GDP QoQ	Q3 '10	2.5%
GDP YoY	Q3 '10	3.2%
PPI YoY	Oct '10	4.3%
CPI YoY	Oct '10	1.2%
Jobless Rate	Nov '10	9.8%
Fed Funds Target	Nov 3 '10	0 - 0.25%

Source: Bloomberg

Treasury Yields

TERM	12/09/10	12/02/10	CHANGE
3-Month	0.13%	0.15%	-0.02%
6-Month	0.18%	0.20%	-0.02%
1-Year	0.27%	0.28%	-0.01%

Source: Bloomberg

Agency Yields

TERM	12/09/10	12/02/10	CHANGE
3-Month	0.16%	0.17%	-0.01%
6-Month	0.24%	0.25%	-0.01%
1-Year	0.41%	0.40%	0.01%

Source: Bloomberg

Commercial Paper Yields (A-1/P-1 Dealers)

TERM	12/09/10	12/02/10	CHANGE
1-Month	0.29%	0.29%	0.00%
3-Month	0.35%	0.35%	0.00%
6-Month	0.50%	0.47%	0.03%
9-Month	0.55%	0.58%	-0.03%

Source: Bloomberg

The opinions expressed are those of the TrustIndiana Administrator and are subject to change without notice.